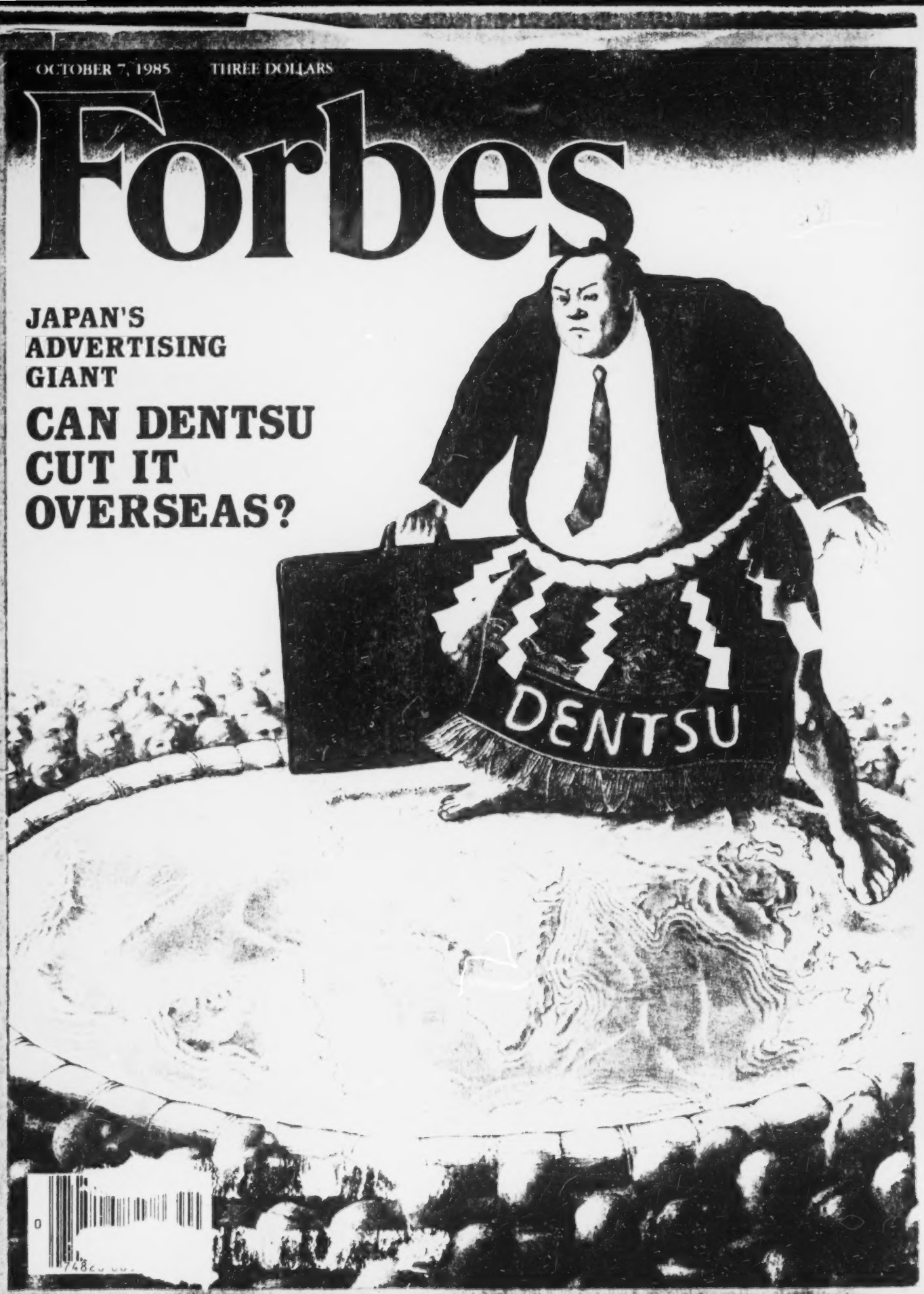
OCTOBER 7, 1985 THREE DOLLARS

Forbes

JAPAN'S ADVERTISING GIANT

CAN DENTSU CUT IT OVERSEAS?



Forbes

October 7, 1985
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Number 9

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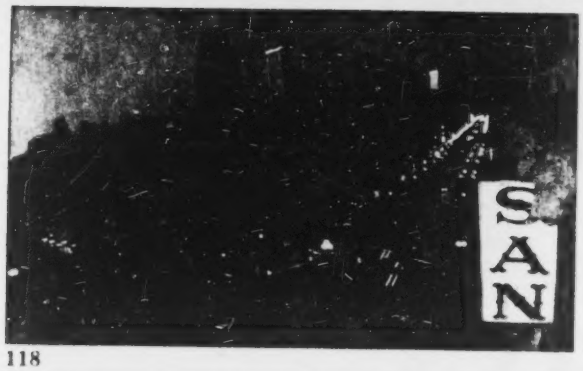

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October 7, 1985 Volume 136 Number 9 Forbes (ISSN 0015 6914) is published biweekly except weekly during two weeks in April, two weeks in September and two weeks in October, by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second class postage paid at New York, N.Y. and at additional mailing offices. Subscription $42 a year. U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011. Copyright © 1985 Forbes Inc. Title is protected through a trademark registration in the U.S. Patent Office.

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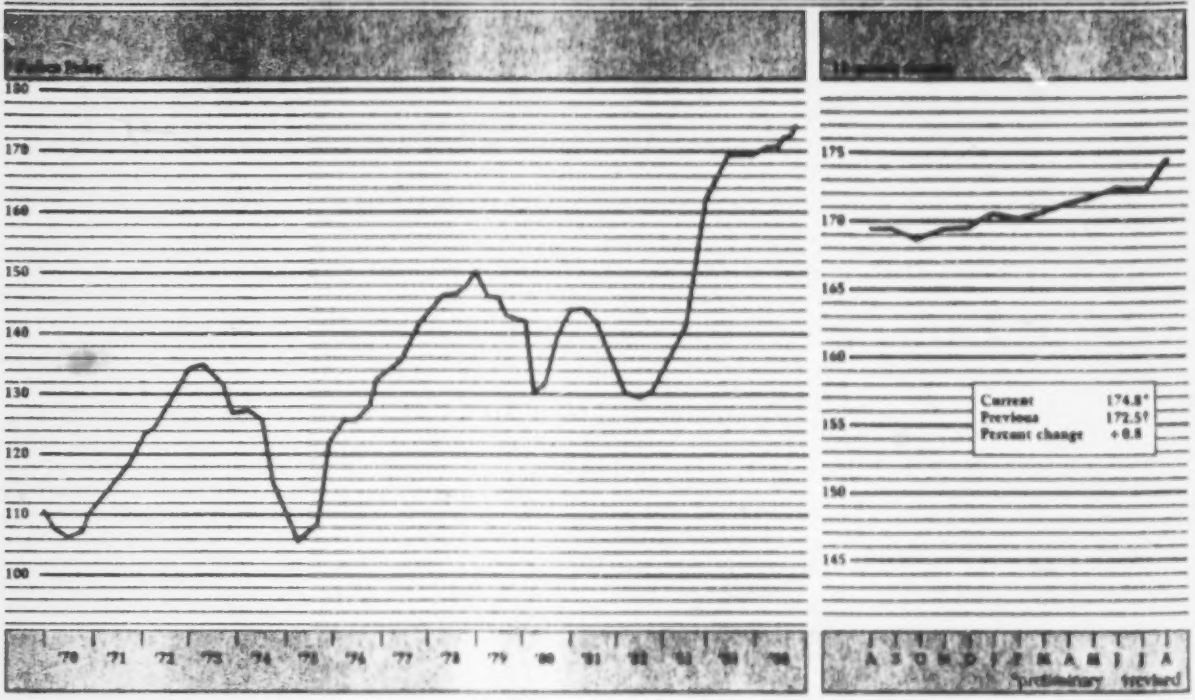
The Forbes Index



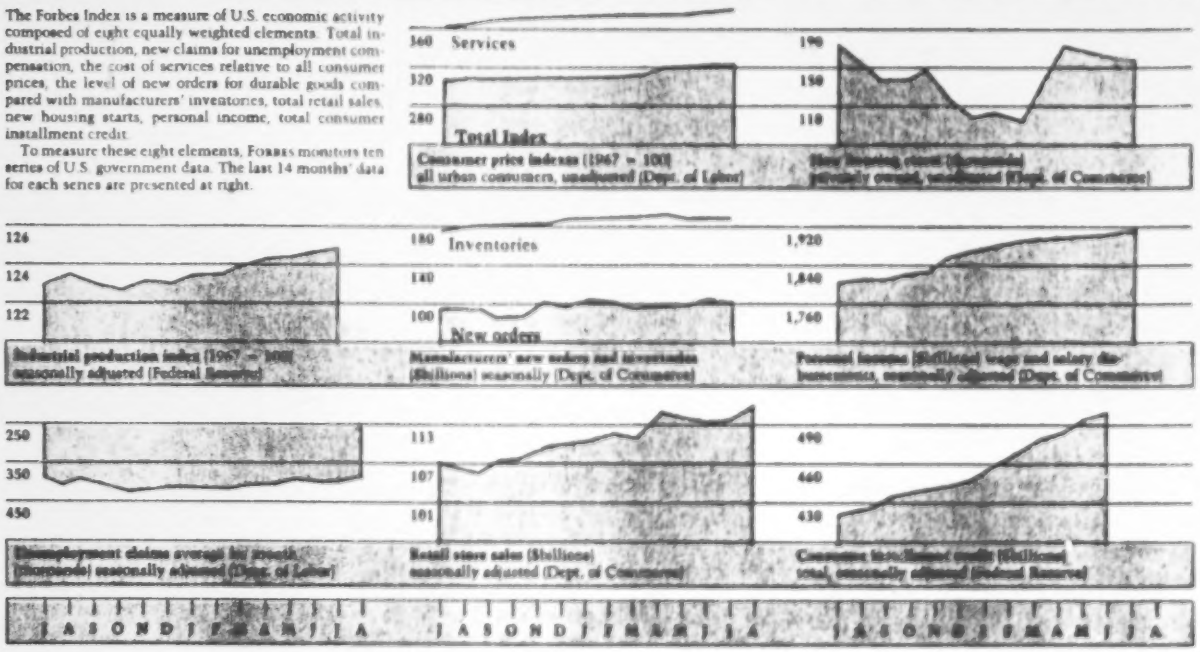
Cannibalizing sales? Retail sales jumped 1.9% over the previous month. Sharply higher domestic auto sales account for a chunk of this gain. But the motoring public was set off on a buying spree by discounted financing and factory rebate programs. Automakers may be gaining additional sales now at the cost of fewer sales once the incentive programs are ended. However, they evidently prefer to play the bird-in-hand game.

Meanwhile, new unemployment claims show a 3.1% month-to-month decline. The number of newly unemployed is at its lowest since September 1984. Manufacturers' inventories crept up 0.1% over the previous month. The Forbes Index, at a new high, signals very good news—provided the unemployment drop wasn't a fluke.

The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements. Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.


360
320
280
Services
Total Index
190
150
110
Consumer price indexes (1967 = 100) all urban consumers, unadjusted (Dept. of Labor)
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)
126
124
122
180
140
100
Inventories
New orders
1,920
1,840
1,760
Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)
Manufacturers' new orders and inventories (Billions) seasonally (Dept. of Commerce)
Personal income (Billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)
250
350
450
111
107
101
490
460
430
Unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)
Retail store sales (Billions) seasonally adjusted (Dept. of Commerce)
Consumer installment credit (Billions) total, seasonally adjusted (Federal Reserve)
J A S O N D J F M A M J J A
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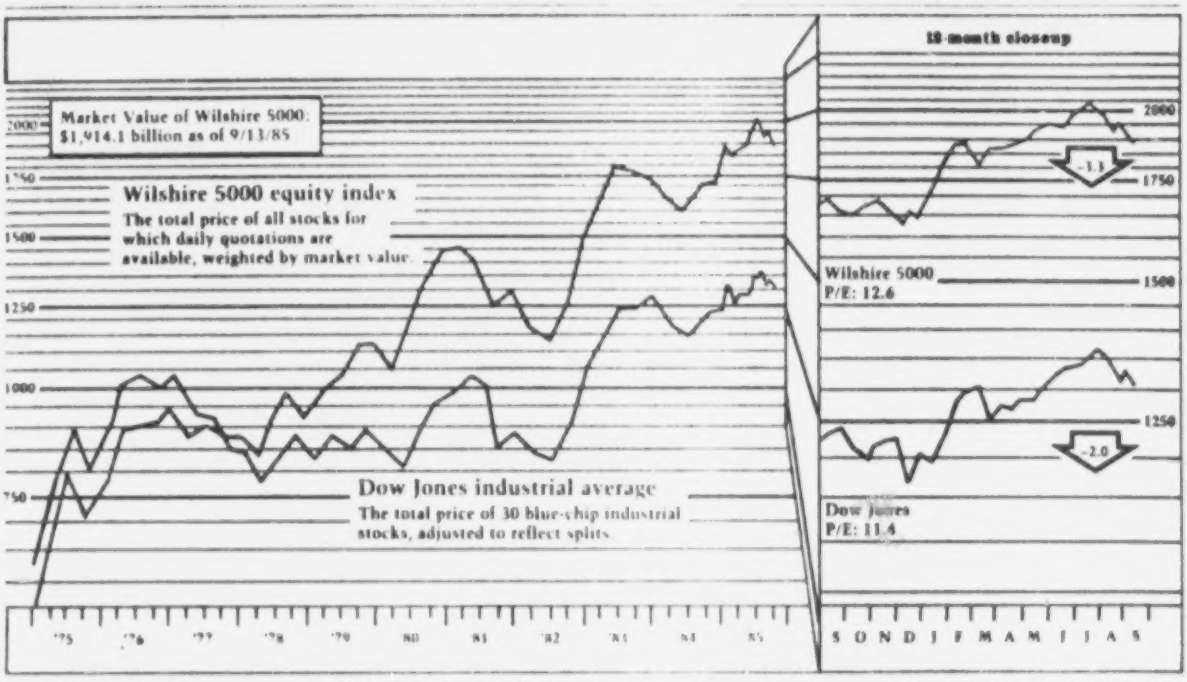
The Forbes/Wilshire 5000 Review

Edited by Steve Kichen



A healthy setback. Share prices fell sharply during the last two weeks, breaking a climb that started at the end of the first quarter of the year. The overall market, as measured by the Wilshire index, lost 3.3%. This brought the Wilshire's market capitalization to $135 billion dollars below its mid-July peak. As the investor yardsticks below illustrate, Wall Streeters showed little discrimination during the last four weeks: They sold off conservative and speculative issues with similar passion.

The faltering averages could mean that the bull market has run its course. But rallies never go straight upward. Despite its recent losses, the Wilshire is up 9.6% over the last 52 weeks. The total return, including dividends, is some 4 percentage points higher. With an improving economic picture and with lower inflation rates taking the edge out of alternatives like real estate, it may not be long before equities, once again, trade in the upper end of their six month range.

Closeup On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[1]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	-2.1	-2.1	-0.4	-1.9	-3.1	-3.1
in last 52 weeks	9.6	11.0	5.7	9.1	3.8	12.4

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility[2]		P/E multiple		Dividend yield		Growth profile[3]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	-2.9	-0.9	-0.9	-1.3	-3.0	-2.9	-1.8	-1.5	-1.2	-1.8	-1.4	-2.3
in last 52 weeks	12.5	14.5	16.5	27.0	6.0	22.4	22.0	18.8	14.0	23.1	21.5	2.9

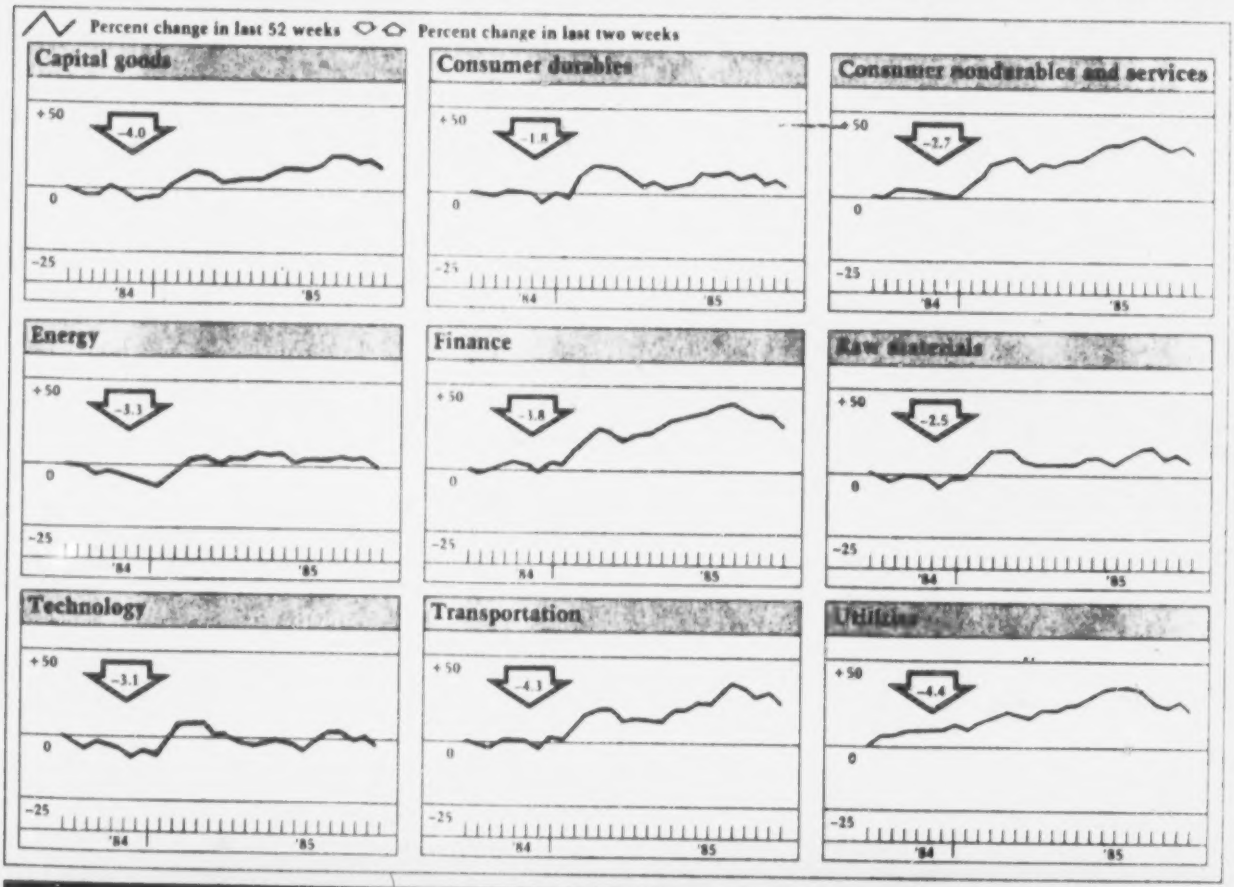
[1]Based on sales.
[2]A stock's sensitivity to overall market movement. High volatility issues have wide price fluctuations; low volatility issues are more stable.
[3]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 9/13/85. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

Losers, not leaders. All nine Wilshire sectors fell during the last two weeks. Utilities, the poorest-performing group, lost 4.4%, while consumer durables shares declined only 1.8%. Over the last 52 weeks finance shares show the best performance, a gain of 22%. Transportation, utility and consumer nondurables shares show year-to-year gains in the mid-teens. At the moment none of these groups appears ready to lead the next leg of the market.

Acquisition battles provided a few bright spots. Richardson-Vicks, for example, a member of the consumer nondurables sector, posted the sharpest two-week gain, a rise of 33%, when it rejected a $1.2 billion offer from Unilever. SCM, a food and office equipment stock, gained more than 8% while fighting off the Hanson Trust bid.



What The Analysts Think

Higher forecasts for cheap stocks. During the last two weeks security analysts nudged up their 1985 earnings projections for utility and finance shares. At 7.7 times estimated 1985 earnings, utility issues are tied with consumer durables issues for the lowest projected multiple. In third place on the bargain counter: finance shares.

Forecasting the Forbes 500

Performance period	Average earnings per share	P/E
latest 12 months	$3.31	11.6
1985 estimates	3.87	9.9
1986 estimates	4.47	8.6

Rank based on change in estimate	Sector	Estimated 1985 E	P/E	% change in 1985 estimate in 2 weeks	% change in 1985 estimate in 4 weeks
1	Utilities	$3.36	7.7	0.43%	0.09%
2	Finance	3.18	9.7	0.09	0.05
3	Consumer nondurables	2.41	12.5	-0.12	-0.31
4	Transportation	2.58	10.2	-0.30	-2.03
5	Technology	2.54	12.8	-0.35	-2.54
6	Energy	3.48	8.1	-0.50	-1.47
7	Consumer durables	4.87	7.7	-0.71	-1.74
8	Raw materials	1.91	12.7	-1.12	-2.77
9	Capital goods	2.81	10.5	-3.71	-5.08

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continuously by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York based brokerage firm.

Note: All data for periods ending 9/13/85. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.